VALLEY CENTER RECREATION COMMISSION

COMPONENT UNIT

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2015

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Valley Center Recreation Commission
Valley Center, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Valley Center Recreation Commission (Commission), Valley Center, Kansas, a component unit of Unified School District No. 262, Valley Center, Kansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Valley Center Recreation Commission, Valley Center, Kansas, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund and Liability Insurance/Employee Benefits Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

George, Bowerman & Noel, P.A.

Wichita, Kansas
January 13, 2016

VALLEY CENTER RECREATION COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

As management of the Valley Center Recreation Commission, we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets of the Valley Center Recreation Commission exceeded its liabilities at the close of the most recent fiscal year by $2,801,659 (net position). Of this amount, $826,440 (unrestricted net position) may be used to meet the Commission's ongoing obligations to citizens and creditors in accordance with the Commission's fiscal policies.

- The Commission's total net position increased by $204,075, which is $62,227 more than the prior year increase.

- As of the close of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $847,305. $20,865 of this amount is restricted for future liability insurance/employee benefits and $764,967 is assigned to fund the General Fund deficit anticipated in the Commission's 2015 budget.

- At the end of the current fiscal year, assigned fund balance for the General Fund was $61,473, or 3.6% of the total General Fund expenditures for the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in the future fiscal periods (e.g., earned but not used compensated absences).

Both of the government-wide financial statements present the functions of the Commission that are principally supported by taxes and user fee revenues (governmental activities). The governmental activities of the Commission include general operations, maintenance, recreation programs, operations of the municipal swimming pool and project facility improvements.

The government-wide financial statements can be found on pages 10 – 11 of this report.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an entity's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the Commission's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General and Insurance Liability/Employee Benefits funds, both of which are considered major funds.

The basic governmental fund financial statements can be found on pages 12 – 17 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 – 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Commission, assets exceeded liabilities by $2,801,659 as of June 30, 2015.

The assets of the Commission are classified as current assets and capital assets. Cash and investments are current assets. These assets are available to provide resources for the near-term operations of the Commission. The majority of the current assets are the result of the property tax collection process of which the Commission received approximately 100% of its anticipated tax distributions before June 30, 2015 and the accumulation of resources for the planned Sports Complex facility improvements and a 9-hole golf course project.

A significant portion of the Commission's net position (70%) reflects its investment in capital assets (e.g., buildings and improvements, machinery and equipment and construction work in process), less any debt used to acquire those assets that is still outstanding. The Commission uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the Commission's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities, if any.

VALLEY CENTER RECREATION COMMISSION'S NET POSITION

	Governmental Activities at June 30, 2015	Governmental Activities at June 30, 2014	Change Increase/ (Decrease)
Current and other assets	$ 1,079,302	$ 1,918,896	$ (839,594)
Capital assets	1,954,354	750,279	1,204,075
Total assets	3,033,656	2,669,175	364,481
Long-term liabilities	–	690	(690)
Other liabilities	231,997	70,901	161,096
Total liabilities	231,997	71,591	160,406
Net position:			
Investment in capital assets, net	1,954,354	750,279	1,204,075
Restricted for liability insurance/ employee benefits	20,865	9,875	10,990
Unrestricted	826,440	1,837,430	(1,010,990)
Total net position	$ 2,801,659	$ 2,597,584	$ 204,075

The balance of unrestricted net position in the amount of $826,440 may be used to meet the Commission's ongoing obligations to citizens and creditors.

Analysis of the Commission's operations – The following table provides a summary of the Commission's operations for the year ended June 30, 2015, with comparative amounts for the year ended June 30, 2014. The Commission's net position increased by $204,075, for a 7.9% growth in net position.

VALLEY CENTER RECREATION COMMISSION'S CHANGES IN NET POSITION

	Governmental Activities 2015	Governmental Activities 2014	Change Increase/ (Decrease)
Revenues:			
Program revenues:			
Charges for services	$ 142,310	$ 133,897	$ 8,413
Operating grants and contributions	860	85	775
Capital grants and contributions	3,725	30,000	(26,275)
General revenues:			
Payments from Unified School District No. 262 for property taxes	627,154	604,666	22,488
Investment earnings	737	1,160	(423)
Total revenues	774,786	769,808	4,978
Expenses:			
General operating	214,251	239,026	(24,775)
Maintenance	180,606	208,959	(28,353)
Swimming Pool	60,610	75,734	(15,124)
Programs	115,244	104,241	11,003
Total expenses	570,711	627,960	(57,249)
Increase in net position	204,075	141,848	62,227
Net position, beginning of year	2,597,584	2,455,736	141,848
Net position, end of year	$ 2,801,659	$ 2,597,584	$ 204,075

Governmental Activities – Governmental activities increased the Commission's net position by $204,075 for the current fiscal year, accounting for a 7.9% growth in the net position of the Commission. Total revenues increased by $4,978 with an increase in charges for services of $8,413 with swimming pool charges comprising $6,254 of that increase. Capital grants and contributions decreased by $26,275 as a $30,000 grant from Sunflower Foundation, Inc. was received in 2014 for sidewalk improvements at the new soccer complex. Current year capital grants and contributions were received in the amount of $3,725 for new signs at the McKay-Petrie Sports Complex. In addition, tax payments from USD No. 262 increased by $22,488, which was anticipated in the 2015 budget process. Operating grants and contributions increased by only $775. Investment earnings decreased by $423 due to smaller cash balances for investment coupled with continued low interest rates.

Total expenses decreased for the current fiscal year by $57,249, or approximately 9.1%. Maintenance expenses comprise $28,353 of the decrease due to decreased grass seed and herbicide expenses of $3,751, decreased gas, oil, tools and supplies of $9,038 and a decrease in non-capitalized expenses of $47,919. Depreciation expense increased by $10,018. The general operating expenses decreased by $24,775, or approximately 10.3%. During 2014 costs associated with the public vote on the proposed recreation center were written-off in the amount of $27,551. Wages and benefits decreased by $5,255 however, expenses related to storm damage were incurred of $10,131.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

Governmental funds – The focus of the Commission's funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Commission's governmental funds reported combined ending fund balances of $847,305. Of this total, $20,865 is restricted for liability insurance/employee benefit costs and $764,967 is assigned to cover the estimated revenue deficit for the 2015 General Fund budgeted expenditures. The remaining fund balance of $61,473 is unassigned.

In the General Fund, the fund balance at June 30, 2015 decreased by $1,011,680 compared to a $69,699 decrease for the fiscal year ended June 30, 2014, or an increase of $941,981. This decrease can be attributed to capital improvements related to the new soccer complex and the construction of the Valley Point Golf Course which comprises $940,520 of that decrease. General Fund revenues only increased by $1,552 for 2015. General operating expenditures increased $9,977, maintenance expenditures increased by $12,791, program expenditures increased $7,558 and swimming pool expenditures decreased $15,301.

The Liability Insurance/Employee Benefits Fund balance increased by $10,990 for 2015, or approximately 111.3%. Appropriations from property taxes increased by $6,530 and total benefit expenditures decreased by $2,890. Health insurance costs decreased by $7,704 however, workers compensation insurance increased by $4,609 for 2015.

General Fund Budgetary Highlights – The General Fund total revenues were $13,067 more than anticipated in the 2015 budget, or 1.9%. Actual budgetary expenditures totaled $2,161,127, which represented 88.8% of the budgeted expenditures for 2015. The capital project expenditures comprised $1,746,341 of the total actual expenditures for 2015 due to major facility improvements for the soccer complex and the construction of the Valley Point Golf Course, a 9-hole golf course. The budgetary basis fund balance for the General Fund decreased during 2015 in the amount of $1,469,972 primarily due to costs incurred for the capital improvement projects.

The Commission's budgeted carryover to 2015-2016 was estimated to be $764,967 as compared to the actual carryover of $159,316. Although proceeding with expenditures for facility improvements will reduce future reserves, the anticipated assessed valuation growth should provide for continuity of operations and provide for Commission operating reserves at an adequate level.

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of June 30, 2015 amounts to $1,954,354 (net of accumulated depreciation). The investment in capital assets includes land, buildings and improvements, machinery and equipment and construction work in progress. Current fiscal year capital asset additions totaled $1,284,206. Major capital asset events during the current fiscal year included the following:

- Site grading, sod, irrigation, fencing and architecture costs for the new soccer complex totaling $352,262.

- Site grading, turf, irrigation and architecture costs for the new Valley Point Golf Course totaling $901,588.

- New air conditioning unit at the Administrative offices costing $2,730.

- Resurfacing of the parking lot at the Sports Complex at a cost of $9,000.

- Range ball dispenser and golf balls at a cost of $10,250.

Capital Assets at Year-End
Net of Accumulated Depreciation

	Governmental Activities 2015	Governmental Activities 2014	Change Increase/ (Decrease)
Land	$ 107,004	$ 107,004	$ –
Buildings and improvements	880,627	317,100	563,527
Machinery and equipment	65,135	57,204	7,931
Construction work in progress	901,588	268,971	632,617
Total	$ 1,954,354	$ 750,279	$1,204,075

Additional information on the Commission's capital assets can be found in Note 3 on page 26 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Commission's long-term debt obligations for the vested portion of accrued compensated absences payable were fully liquidated. During the current fiscal year accrued compensated absences increased by $7,338 and $8,028 was liquidated resulting in an ending liability balance of $-0-.

Additional information on the Commission's long-term debt can be found in Note 4 on page 27 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

In the 2015-2016 budget, General Fund revenues are budgeted to increase $169,071 or about 25% from the 2014-2015 budget year with appropriations from the Valley Center Unified School District No. 262 representing about 65% of the General Fund budgeted revenues. The 2015-2016 budget anticipates golf round fees of $159,556. Certified assessed valuations, on which the USD No. 262 appropriations are derived, increased approximately 2% over the preceding year to a total estimated assessed valuation of $122,219,853 for the 2015-2016 budget. Total General Fund budgeted expenditures for the 2015-2016 budget year are $1,612,126, a decrease of $822,016 from the 2014-2015 budget year with capital improvements reflecting a $984,941 decrease in budgeted expenditures. The mill levy reflected in the USD No. 262's budget for the General Fund of the Commission was 3.998 mills for the 2015-2016 budget year, compared to 3.987 mills for the 2014-2015 budget year. The Liability Insurance/Employee Benefit Fund mill levy decreased slightly by .279 mills from the 2014-2015 budget year to .320 mills for the 2015-2016 budget year.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Commission's finances. If you have questions about this report or need any additional information, contact the Valley Center Recreation Commission, Attention: Director of Recreation, at 117 North Park, P.O. Box 414, Valley Center, Kansas 67147, call (316) 755-7345, or e-mail at reccenter@vcrc.kscoxmail.com.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VALLEY CENTER RECREATION COMMISSION

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
ASSETS	
Cash and investments	$ 1,079,302
Capital assets:	
Land	107,004
Buildings and improvements	1,433,196
Machinery and equipment	179,379
Construction work in process	901,588
Accumulated depreciation	(666,813)
Total assets	3,033,656
LIABILITIES	
Accounts payable	212,033
Accrued salaries and wages payable	18,443
Payroll taxes payable	1,521
Noncurrent liabilities:	
Due within one year	–
Due in more than one year	–
Total liabilities	231,997
NET POSITION	
Investment in capital assets, net	1,954,354
Restricted for liability insurance/employee benefits	20,865
Unrestricted	826,440
Total net position	$ 2,801,659

The accompanying notes are an integral part of the financial statements.

VALLEY CENTER RECREATION COMMISSION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
General Operating	$ 214,251	$ 5,608	$ –	$ –	$ (208,643)
Maintenance	180,606	–	–	3,725	(176,881)
Swimming pool	60,610	69,777	–	–	9,167
Programs	115,244	66,925	860	–	(47,459)
Total Governmental Activities	$ 570,711	$ 142,310	$ 860	$ 3,725	(423,816)
General Revenues:					
Payments received from Valley Center USD No. 262 for:					
General operations					543,523
Liability insurance/employee benefits					83,631
Investment earnings					737
Total General Revenues					627,891
Increase in Net Position					204,075
Net Position, Beginning of Year					2,597,584
Net Position, End of Year					$2,801,659

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

VALLEY CENTER RECREATION COMMISSION

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2015

	General	Liability Insurance/ Employee Benefit	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,056,916	$ 22,386	$1,079,302
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 212,033	$ –	$ 212,033
Accrued salaries and wages payable	18,443	–	18,443
Payroll taxes payable	–	1,521	1,521
Total liabilities	230,476	1,521	231,997
Fund balances:			
Restricted for Liability Insurance/ Employee Benefits	–	20,865	20,865
Assigned for subsequent year's budget deficit	764,967	–	764,967
Unassigned	61,473	–	61,473
Total fund balances	826,440	20,865	847,305
Total liabilities and fund balances	$ 1,056,916	$ 22,386	$1,079,302

The accompanying notes are an integral
part of the financial statements.

VALLEY CENTER RECREATION COMMISSION

RECONCILIATON OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2015

Total Governmental Fund Balances		$ 847,305
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	$ 2,621,167	
Accumulated depreciation	(666,813)	
		1,954,354
Net Position of Governmental Activities		$ 2,801,659

The accompanying notes are an integral part of the financial statements.

VALLEY CENTER RECREATION COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS

Year ended June 30, 2015

	General	Liability Insurance/ Employee Benefits	Total Governmental Funds
Revenues:			
Appropriation from USD No. 262	$ 543,523	$ 83,631	$ 627,154
Programs	66,925	–	66,925
Swimming pool	69,777	–	69,777
Interest	737	–	737
Miscellaneous	10,193	–	10,193
Total revenues	691,155	83,631	774,786
Expenditures:			
Current:			
General operating	169,457	36,878	206,335
Maintenance	122,522	17,628	140,150
Programs	67,479	12,853	80,332
Swimming pool	55,328	5,282	60,610
Capital outlays	1,288,049	–	1,288,049
Total expenditures	1,702,835	72,641	1,775,476
Revenues over (under) expenditures	(1,011,680)	10,990	(1,000,690)
Fund balances, beginning of year	1,838,120	9,875	1,847,995
Fund balances, end of year	$ 826,440	$ 20,865	$ 847,305

The accompanying notes are an integral part of the financial statements.

VALLEY CENTER RECREATION COMMISSION

RECONCILIATON OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net Change in Fund Balances – Total Governmental Funds		$ (1,000,690)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,284,206	
Depreciation	(78,952)	
Capital outlays over depreciation		1,205,254
In the statement of activities, the loss on the disposition of capital assets is reported as a functional expense whereas in the governmental funds statement a loss on disposition of capital assets is not reported		(1,179)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:		
Compensated absences payable		690
Change in Net Position of Governmental Activities		$ 204,075

The accompanying notes are an integral part of the financial statements.

VALLEY CENTER RECREATION COMMISSION

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 262	$ 543,523	$ 543,523	$ 543,523	$ –
Program fees	128,966	128,966	136,702	7,736
Interest	1,335	1,335	737	(598)
Other	4,264	4,264	10,193	5,929
Total revenues	678,088	678,088	691,155	13,067
Expenditures:				
General administrative	198,542	198,542	153,773	44,769
Utilities	13,914	13,914	17,065	(3,151)
Rental	4,975	4,975	3,388	1,587
Janitorial	1,100	1,100	4,248	(3,148)
Maintenance	100,950	100,950	113,505	(12,555)
Programs	134,942	134,942	122,807	12,135
Projects	1,979,719	1,979,719	1,746,341	233,378
Total expenditures	2,434,142	2,434,142	2,161,127	273,015
Revenues over (under) expenditures	(1,756,054)	(1,756,054)	(1,469,972)	286,082
Fund balance, beginning of year	1,905,464	1,905,464	1,629,288	(276,176)
Fund balance, end of year	$ 149,410	$ 149,410	$ 159,316	$ 9,906

The accompanying notes are an integral part of the financial statements.

VALLEY CENTER RECREATION COMMISSION

LIABILITY INSURANCE/EMPLOYEE BENEFITS FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGET BASIS

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues:				
Appropriation from USD No. 262	$ 84,861	$ 84,861	$ 83,631	$ (1,230)
Expenditures:				
FICA and Medicare taxes	17,500	17,500	16,461	1,039
Workmen's compensation				
Insurance	4,000	4,000	8,234	(4,234)
Public officials liability insurance	1,950	1,950	1,775	175
Vehicle liability insurance	3,700	3,700	3,822	(122)
Unemployment insurance	550	550	292	258
Health and dental insurance	54,300	54,300	36,431	17,869
Retirement benefits	3,500	3,500	3,164	336
Liability insurance	1,675	1,675	2,462	(787)
Total expenditures	87,175	87,175	72,641	14,534
Revenues over (under) expenditures	(2,314)	(2,314)	10,990	13,304
Fund balance, beginning of year	10,917	10,917	9,875	(1,042)
Fund balance, end of year	$ 8,603	$ 8,603	$ 20,865	$ 12,262

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Valley Center Recreation Commission (Commission) was formed pursuant to K.S.A. 12-1901 to establish, operate and maintain a recreational system in Valley Center, Kansas. The Commission is comprised of five board members, two appointed by the Board Members of Unified School District (USD) No. 262, Valley Center, Kansas, two appointed by the City Council of the City of Valley Center, Kansas, and one is appointed by those four appointed Commission members. The Commission must certify its annual budget to USD No. 262 for levying of property taxes. The Commission may not acquire real property or issue debt without the approval of USD No. 262. Any lease entered into by the Commission may be subject to approval of USD No. 262. The USD No. 262 is financially accountable for the Commission and, accordingly, the Commission is a component unit of that entity.

Basis of presentation

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

The Commission's basic financial statements include both government-wide, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements

The statement of net position and the statement of activities display information about the Commission as a whole. The statement of net position presents the financial condition of the governmental activities of the Commission at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include (1) charges paid by the recipient for goods or services or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

Fund financial statements

During the year, the Commission segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Commission at a more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is reported in a separate column.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers property tax revenues to be available in the period for which levied and other revenues if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest and charges for services associated with the current fiscal period are considered susceptible to accrual and so have been recognized as revenues of the current period.

The Commission reports the following major governmental funds:

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund. All resources of the Commission are accounted for in the General Fund, exclusive of liability insurance and employee benefits.

Liability Insurance/Employee Benefit Fund – established pursuant to Kansas law to account for taxies levied and expenditures for the employer's portion of FICA and Medicare taxes, workmen's compensation insurance, unemployment taxes, health insurance, retirement benefits and liability insurance premiums.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and investments

The Commission pools all funds for the purpose of increasing income through investment activities. Cash deposits are recorded at cost, which approximates fair value. Interest earnings on investments and deposits are credited to the General Fund. Additional deposit and investment disclosures are presented at Note 2.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. There were no significant prepaid items at June 30, 2015.

Inventories

Inventories are considered to be immaterial and are not recorded.

Capital assets

Capital assets, which includes property and facilities under capital lease obligations, and equipment are capitalized at total acquisition cost, provided such amounts exceed $500 and have a useful life of more than one year. Such assets are reported at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are reported at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is recorded on all depreciable capital assets on a straight-line basis over the following estimated useful lives:

Asset	Years
Buildings and improvements	10-25
Machinery and equipment	3-10

Compensated absences

The Commission's policies regarding vacation permits the Director of Recreation to earn 11.33 hours vacation pay for each month of service and the Director of Maintenance to earn 10 hours vacation pay for each month of service. Part-time, seasonal and temporary employees do not earn vacation leave pay. At the end of each fiscal year, any unused vacation pay may be taken as additional compensation at one-half of the employees' hourly rate. One-half of vacation pay earned can be carried over from one fiscal year to the next. Upon termination of employment an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave is allowed to accumulate at the rate of 9 to 11 hours for each month of service, depending on length of service by the employee. Part-time, seasonal and temporary employees do not earn sick leave pay. Any unused sick pay hours may be carried over to the next fiscal year with a maximum accumulation of 120 days. Upon termination of employment all unused sick leave is forfeited.

The Commission's compensated absences liability is reported on the government-wide financial statements. The liability is based on current salary costs and the vested portion of accumulated benefits.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent that they are due for payment during the current year.

Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and capital lease obligations that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss. There were no significant reductions in coverage from prior years and claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Deferred outflows/deferred inflows of resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period. The Commission did not identify any financial statement balances that met the definition of a deferred outflow of resources or a deferred inflow of resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net position flow assumption

The government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Commission's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the government-wide financial statements, equity is reflected as net position and classified into three components:

- Investment in capital assets, net – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisitions, construction or improvements of those assets.

- Restricted – consisting of net position items with constraints place on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- Unrestricted net position – all other net position items that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Recreation Commission Board Members is the highest level of decision-making authority for the Commission that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

In the governmental funds financial statements, equity is classified into potentially five components:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Nonspendable – the nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained in tact.

- Restricted – that portion of fund balance that has constraints that are (1) external imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

- Committed – that portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

- Assigned – fund balance that is constrained by the government's intent to be used for specified purposes, but are neither restricted or committed.

- Unassigned – this represents the residual classification for the General Fund.

When expenditures are incurred for purposes that include committed, assigned and unassigned amounts, the committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

Details of fund balance amounts are displayed on the governmental fund balance sheet.

Budgetary principles

The Commission is required by state statute to adopt annual budgets for the General and Liability Insurance/Employee Benefit funds on or before August 1 for the ensuing year. The Commission is required to certify its adopted budget to Unified School District No. 262 which shall levy a tax sufficient to raise the amount required by such budget on all the taxable tangible property within the taxing district. The Commission may amend the budget by transferring budgeted amounts from one object or purpose to another. Expenditures may not legally exceed the total amount of adopted budget of individual funds. Budgeted revenue and expenditure amounts represent the original adopted budget for such amounts.

The statutes provide for the following timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before July 1st.

2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before July 10th.

3. Public hearing on or before July 20th, but at least ten days after publication of notice of hearing.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Adoption of the final budget on or before August 1st and certification of the adopted budget to USD No. 262.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments for the year ended June 30, 2015.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are generally recognized when cash is received or are considered susceptible to accrual. For budgetary purposes, encumbrances, representing purchase orders, contracts and other commitments, are reported as expenditures in the current year budget. All unencumbered appropriations lapse at year-end.

The following reconciliation is presented to provide a correlation between reporting in conformity with generally accepted accounting principles (GAAP) and the budgetary basis of reporting:

	Major Governmental Funds	
	General Fund	Employee Benefit Fund
GAAP Fund Balance at June 30, 2015	$ 826,440	$ 20,865
Adjustments – reserve for encumbrances	(667,124)	–
Budgetary Basis Fund Balance at June 30, 2015	$ 159,316	$ 20,865

2. DEPOSITS AND INVESTMENTS

Deposits and investments

At June 30, 2015 the Commission had the following investments:

Investment Type	Cost/ Carrying Amount	Fair Value	Weighted Average Months to Maturity	S&P Rating
Overnight repurchase agreement investments collateralized by:				
Fannie Mae CMO Series 2	$ 653,211	$ 653,211	563	AA+

2. DEPOSITS AND INVESTMENTS (continued)

Investment Type	Cost/ Carrying Amount	Fair Value	Weighted Average Months to Maturity	S&P Rating
Fannie Mae CMO Series 2	$ 369,789	$ 369,789	318	AA+
Total	$ 1,023,000	$ 1,023,000		

K.S.A. 9-1401 establishes the depositories that may be used by the Commission. The statute requires banks eligible to hold the Commission's funds have a main or branch bank in the county in which the Commission is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation (FDIC) coverage. The Commission has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Commission's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Commission has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Commission's allocation of investments as of June 30, 2015, is as follows:

Investment	Percentage of Investments
Fannie Mae CMO Series 2	100%

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

At year-end the carrying amount of the Commission's cash and deposits were $56,303 and the bank balances were $83,006. At June 30, 2015, 100% the bank balances were covered by federal depository insurance.

3. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated – land				
Land	$ 107,004	$ –	$ –	$ 107,004
Construction work in progress	268,971	901,588	268,971	901,588
Total assets not being depreciated	375,975	901,588	268,971	1,008,592
Capital assets being depreciated:				
Buildings and improvements	806,034	628,924	1,762	1,433,196
Machinery and equipment	178,442	22,665	21,728	179,379
Total assets being depreciated	984,476	651,589	23,490	1,612,575
Less accumulated depreciation for:				
Buildings and improvements	488,934	65,397	1,762	552,569
Machinery and equipment	121,238	13,555	20,549	114,244
Total accumulated depreciation	610,172	78,952	22,311	666,813
Total capital assets being depreciated, net	374,304	572,637	(1,179)	945,762
Total capital assets, net	$ 750,279	$1,474,225	$270,150	$ 1,954,354

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General Operations	$ 10,646
Maintenance	33,394
Programs	34,912
Total depreciation expense – Governmental Activities	$ 78,952

4. LONG-TERM DEBT

During the fiscal year ended June 30, 2015, the Commission's long-term debt changed as follows:

	Compensated Absences	Total Long-Term Debt
Beginning of year	$ 690	$ 690
Additions	7,338	7,338
Deletions	(8,028)	(8,028)
End of year	$ –	$ –
Amount due within one year	$ –	$ –

5. RELATED PARTY TRANSACTIONS

The Commission has entered into an agreement with the Valley Center Unified School District No. 262 for the use of certain baseball, softball and soccer fields of the District's Sports Complex. The agreement provides that the Commission shall maintain certain designated fields including mowing, watering, trimming, fertilization and the maintenance and replacement of lighting fixtures. In addition, the Commission is responsible for utilities at the designated facilities and must keep in force comprehensive liability insurance coverage with the District named as an additional insured in an amount of not less than $500,000.

6. RETIREMENT PLAN

All full-time employees are eligible to participate in the Commission's Savings Incentive Match Plan for Employees (SIMPLE) Individual Retirement Trust Plan established in May 1998. The payroll for employees covered by the Plan was $115,118 and the Commission's total payroll was $215,169 for the year ended June 30, 2015.

All full-time employees are eligible to participate in the Plan if they receive at least $5,000 in compensation for the calendar year and $5,000 in each of the two previous calendar years. Benefits are fully vested upon eligibility to participate in the Plan. The employer may make matching contributions to the SIMPLE IRA of each eligible employee in an amount equal to the employee's salary reduction contributions up to a maximum of 3% of the employee's compensation. If the employer chooses to make non-elective contributions instead of matching contributions to each eligible employee's SIMPLE IRA, such contributions must be 2% of the employee's compensation for the year. Employees are not required to make contributions to the Plan but are allowed to make elective salary reduction contributions limited to a maximum of $12,500 per calendar year. During the fiscal year ended June 30, 2015, employees' elective contributions made through payroll deductions were $2,575 and the employer made matching elective contributions of $3,035. All contributions are paid

6. RETIREMENT PLAN (continued)

directly to the Commission's designated agent in the name of the individual employees and the accounts are 100% vested at the time of contribution. The Commission retains no ownership rights to the accounts and, accordingly, the account balances are not included within the financial statements of the Commission. The Commission holds no investments of the Plan or any of the Plan's related parties.

7. OTHER POSTEMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. Further, under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Commission makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured and there is no cost to the Commission under this program. Currently, there are no former employees or retirees receiving health care benefits under the Commission's group health insurance plan. Management believes the financial impact of this potential liability is not material and any such liability has not been quantified in the financial statements of the Commission.

8. COMMITMENTS AND CONTINGENCIES

Swimming Pool Management

The Commission entered into an agreement with the City of Valley Center, Kansas to operate the City's municipal swimming pool. Under the terms of the agreement, the City is responsible for all facility operation and maintenance costs except for salaries for management and staff personnel. The Commission provides for the day-to-day operation of the swimming pool including any special activities and collects all admission and rental fees. The agreement provides that at the end of the operating season the City is to reimburse the Commission if any deficit from operations is incurred and should the facility generate excess operating revenues such amount shall be paid to the City. During the 2014 operating season the Commission incurred a deficit of $15,710. The City of Valley Center reimbursed the Commission for this operating deficit during the year ended June 30, 2015. The estimated amount due from the City of Valley Center related to the 2015 operating season (May through September 2015) is $6,488.

Soccer Complex Development

During the fiscal year ended June 30, 2014, the Commission initiated a project to complete a soccer field complex. The soccer complex was completed during the fiscal year ended June 30, 2015 and the Commission capitalized total costs for the facility of $621,233.

8. COMMITMENTS AND CONTINGENCIES (continued)

Golf Course Project Development

During the fiscal year ended June 30, 2015, the Commission authorized the construction of the Valley Point Golf Course, a 9-hole golf course adjacent to the current Sports Complex. The estimated total cost for the golf course project is $1,339,000, excluding maintenance and other operating equipment. At year-end, total costs included in construction work in process was $901,588 and there were outstanding commitments for construction and engineering of $437,137.

Water Line Project

During 2015, the Commission approved the construction of a new water line across Commission property at a total cost of $230,287. The City of Valley Center is participating in the project and will reimburse the Commission for approximately 62% of the total project cost ($141,999) when it is completed.

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through January 13, 2016, which is the date the financial statements were available to be issued.